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REQUEST SEISMIC SURVEYS LTD.

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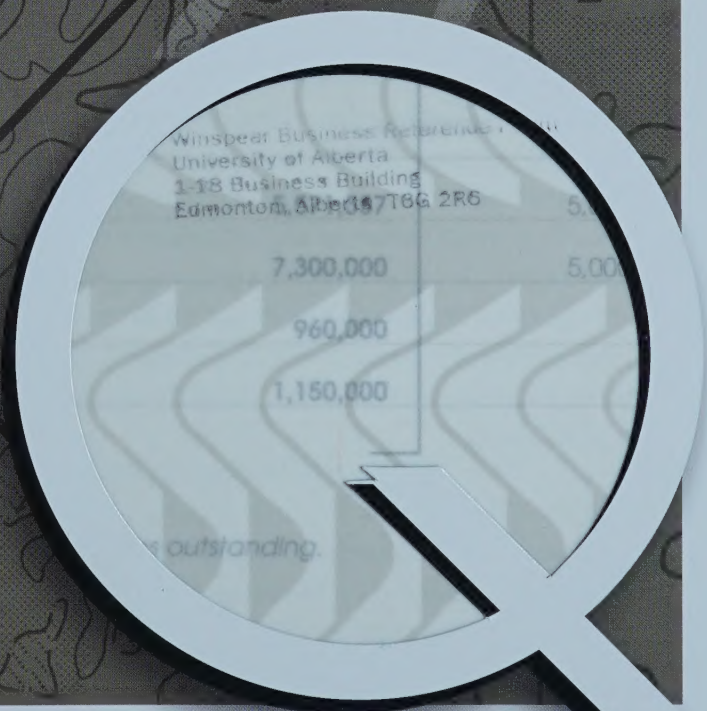
# REQUEST

1997 ANNUAL REPORT

TWP 67

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## CORPORATE PROFILE

Request Seismic Surveys Ltd. was founded for the purpose of providing the oil and gas industry with quick, reliable access to seismic data information. Since its inception in 1989, Request has established itself as a leader in the data information field, focussing on three primary areas of interest: Participation Surveys, Data Management, and Data Brokerage.

Having built one of the largest free trading seismic databases in Western Canada, Request is dedicated to the latest technological advances and remains committed to understanding and meeting client needs.

The company is headquartered in Calgary, Alberta, Canada and trades on the Alberta Stock Exchange under the symbols RSH and RSH.wt.

## OUR TEAM

- Linda Afech
- Khalid Amin
- Debbie Barron
- Gary Bourgeois
- May Briscoe
- Lori Brown
- Todd Chuckry
- Denise Clements
- Nira Garib
- Ron Gaudet
- Ross Gowans
- Allison Hagen
- Elva Hartman
- Lonn Hornsby
- Pamela Larson
- Noel Llanos
- Gord Lowe
- Sonya Lowe
- Don MacNeil
- Bill Mansell
- Martin McGinnis
- Heather Michel
- Christine More
- Lorraine Osiowy
- Paula Peden
- Brad Saskiw
- Joan Smith
- Lori Smith
- Pat Stier
- Charmaine Walls
- Theresa Walsh

## CONSULTANTS

- Gay Allen
- Dianne Lietz
- Bert Saskiw





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Winspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6

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Per share calculations are based on weighted average shares outstanding.

5

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12

14

15

18

27

Dec 31  
1997

Jan 31  
1997

\$ 22,473,773

\$ 20,845,403

2,918,131

1,917,698

547,069

77,804

1,332,088

305,006

11,902,886

5,950,712

nil

nil

2,647,014

253,184

0.19

0.09

0.18

0.08

0.10

0.01

0.09

0.01

Winspear Business Reference  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6

5,000,000

7,300,000

5,000,000

960,000

nil

1,150,000

nil







## FINANCIAL HIGHLIGHTS

	Dec 31 1997	Jan 31 1997
Revenue	\$ 22,473,773	\$ 20,845,421
Gross Margin	2,918,131	1,917,698
Net Earnings	547,069	77,894
Working Capital	1,332,088	305,886
Total Assets	11,902,886	5,956,212
Long-term Debt	nil	nil
Shareholders equity	2,847,014	253,134
EBITDA-Basic	0.19	0.03
EBITDA-Fully Diluted	0.18	0.03
EPS-Basic	0.10	0.01
EPS-Fully Diluted	0.09	0.01
Outstanding Shares		
Weighted Average	5,571,557	5,000,000
At Period End	7,300,000	5,000,000
Options outstanding	960,000	nil
Warrants outstanding	1,150,000	nil

*Per share calculations are based on weighted average shares outstanding.*

## PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

1997 was an extremely exciting year for all of us at Request Seismic Surveys Ltd. It was a year of transition from a private company to a public company. We experienced incredible growth in all three of our primary business units - Participation Surveys, Data Management, and Data Brokerage.

A high level of service and the ability to recognize the needs of our clients, has made Request a leader in providing seismic services to the oil and gas industry. Geophysicists and Explorationists use seismic data to assist in the evaluation of existing properties, pending land sales, and identifying future exploration areas. Exploring for oil and gas is like looking for the proverbial needle in a haystack. Seismic data helps explorationists locate this needle, thereby saving oil and gas companies time and money. It further allows them to minimize their risk, and lower their finding costs, while providing greater opportunity for them to meet their production targets.

We believe even with the current economic environment, we will see greater demand for our services in 1998 and plan to exceed our goal of \$35,000,000 in gross revenue sales this year. Lower commodity prices potentially improve opportunities to acquire larger parcels of land on a reduced per hector price, thereby increasing the demand for seismic information to evaluate the lands purchased.

### FINANCIAL HIGHLIGHTS

The results for the eleven months ended December 31, 1997 represents a 52% increase in the Corporation's gross margin and a 620% increase in

net earnings over the prior year ended January 31, 1997. Net revenues generated from proprietary surveys (before payment of profit sharing and revenue interests to certain shareholders) increased 91% for the eleven months ended December 31, 1997 versus the prior year's net revenues from proprietary sales, comprising 68% of the Corporation's gross margin as at December 31, 1997.



### PARTICIPATION SURVEYS HIGHLIGHTS

1997 was an exceptional year for Request's participation surveys. We were able to record over 1,140 kms of survey, expanding our proprietary inventory by 30% which also increased our coverage in the Deep Basin from 650 kms to 1,362 kms.

### ACQUISITIONS

In January of 1998, Request purchased all the shares of Prime Brokerage Consultants Ltd., which has increased our proprietary database from 4,400 kms to approximately 8,600 kms.

### STRATEGIC ALLIANCES

As we continue to focus on being technologically advanced and customer driven, we have formed strategic business relationships with Kelman Technologies Inc. and StrataWeb Systems Ltd.

In November of 1997, we entered into a working relationship with Kelman Technologies Inc. in the creation of an on-line, 24-hour per day, broker database. This database allows clients to instantly locate, quality inspect, and purchase data in real time. In order to better serve our customers by providing them with easier access to our seismic databases, we have become the exclusive providers of seismic



to StrataWeb Systems Ltd. The internet-based seismic data quality inspection system brings together StrataWeb's advanced web based mapping technology with our proprietary, managed, and public coverage seismic databases. With the click of a mouse, users can view seismic line attribute tickets, view on-line strip sample survey data, and e-mail requests for quality inspection directly to us.

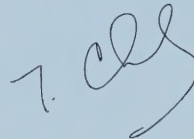
#### ACKNOWLEDGEMENTS

Request would like to thank its investors and clients for their continued support. Management and Directors also thank the employees for providing a high level of professional service to our clients.

#### OUTLOOK FOR 1998

Careful planning over the past year has placed Request in a position to experience solid growth in 1998. With the industry shifting its focus from oil to natural gas, we believe we are positioned to take advantage of this, as 30% of our proprietary database is located in known gas regions,

The key to successfully building a company is people. Request has the team in place to accomplish its corporate goals. Our experienced and capable group of industry professionals are dedicated to building Request and adding value for the benefit of our shareholders.



**Todd Chuckry**  
President and C.E.O.  
March 12, 1998

# FOCUS

## ON STRATEGIES

#### GOALS FOR 1998

Complementing our long term objectives are the following strategic 1998 goals:

- Acquire a larger market share through acquisition of existing competitors in Canada.
- Establish a presence in the United States.
- Increase our proprietary database through field acquisitions or purchases.
- Continue to be an industry leader in providing participation surveys.
- Strengthen our strategic alliances.



## PARTICIPATION SURVEYS

Request creates, markets, and operates seismic surveys. Once an area has been selected through in-house expertise, oil companies are approached to subscribe to seismic information prior to it being gathered in the field. When sufficient subscriptions have been procured, Request hires sub-contractors to perform the variety of tasks involved in a survey. Through their subscriptions, the oil companies are purchasing a license to explore with the seismic information and Request retains the ownership rights to continue to license the data to interested parties. The competitive advantages to subscribing for the oil companies are:

- The ability to evaluate large tracts of land with cost-effective seismic.
- The ability to explore in an area on a confidential basis.
- The opportunity to interpret new, high quality data with little competition (only the other subscribers) during a six month exclusive period.
- The ability to re-allocate personnel to other tasks that would otherwise be tied up supervising the acquisition of this seismic.

Request benefits through the addition of modern seismic information to its data inventory. The asset value of these surveys ranges from tens of thousands to millions of dollars depending on the size and location of the project.



## OPERATIONS OVERVIEW

February 1, 1997 saw Request in the midst of the largest 2D participation survey it had undertaken since its inception. The program was a step-out to the previous year's recording and was completed in April with a total of 718 kms of new data added

to the inventory. Request retained an 80% interest in this program. Cutbank lies in the "Deep Basin" fairway, an area rich in proven and potential gas reserves.

In the latter part of February, Request commenced recording a 185 km program in North East British Columbia. This One Island Lake survey is a western extension to a large 600 km program which

was shot to the Alberta / British Columbia border the previous winter season. This survey was completed in March 1997 with Request retaining 80% interest in the program.

Request joint-ventured with an industry partner in July 1997 to record a 160 km survey at Eston in South West Saskatchewan. A 33% interest in this regional program cost Request \$210,000. This particular project solidified the inventory coverage Request is establishing in a corridor adjacent to the Alberta border.

In November, Request returned to the Deep Basin area for the winter program. It commenced recording some infill regional lines accompanied by a southern step-out program, which further enhances our seismic control in this fairway. The Cutbank to Obed and Pinto survey is expected to add 750 kms to the inventory when completed in 1998, with anticipated costs to Request of \$3,000,000 for a 50% interest in the data.



Request is looking at several areas for summer projects in the next year. The new Deep Rights Reversion regulation will come into effect in Saskatchewan in April 1998. We will examine and consider survey opportunities to boost our inventory in this Province. Southern Alberta is another region targeted for new programs. Proposals are currently in place to market over 700 kms of regional seismic in two areas. The Corporation has been approached to record some data in the Alberta



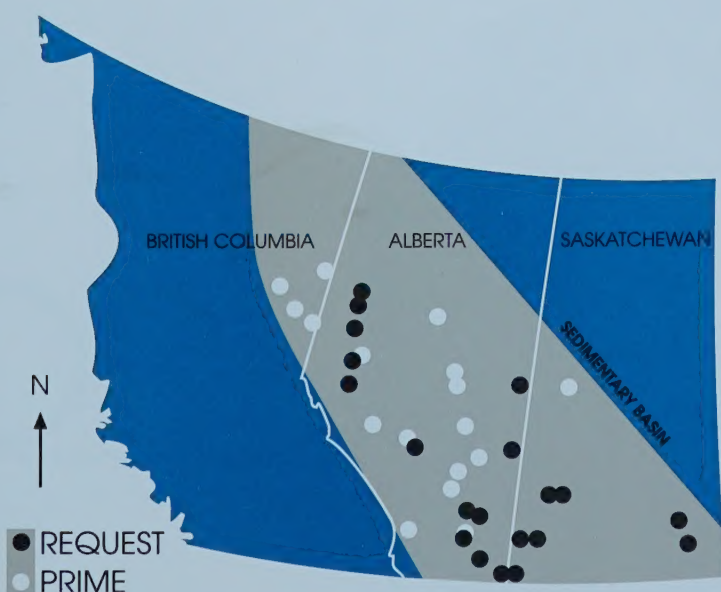
Foothills offsetting the Deep Basin seismic data. This would be a summer helicopter survey, another opportunity the Corporation is considering.

Plans for the next fall and winter include surveys that complement the existing seismic inventory including those surveys recently acquired with the purchase of Prime Brokerage

Consultants. These new projects will focus primarily on areas with high gas reserve potential.

# FOCUS

## ON GROWTH



### REQUEST SEISMIC DATABASE

Alberta	3,224 km
British Columbia	560 km
Saskatchewan	300 km

### PRIME SEISMIC DATABASE

Alberta	3,800 km
British Columbia	500 km
Saskatchewan	200 km
Grand Total	8,584 km



## SEISMIC DATA MANAGEMENT

Within Request is a dynamic data management department that conveys to the oil and gas industry the profitability of outsourcing their seismic data. Our clients are oil companies who prefer to outsource the management of their proprietary seismic information enabling them to focus their energies on the development of oil and gas reserves. Request manages data on behalf of some of the more active oil and gas companies in Canada.

In conjunction with Kelman Archives Dmass archiving tool, Request has the ability to deliver pre-stack and post-stack seismic data instantaneously. Unnecessary delays in communication and delivery of data between the geophysicist, the broker,

and vendors are virtually eliminated. It is now entirely feasible to consider "paperless" transactions on a regular basis.

Forty-two oil and gas companies currently depend on the Request data management department to manage their seismic data. The experienced staff prepares data requests to facilitate transactions between potential purchases and the data owners.

Seismic data is a valuable asset that not all oil companies recognize. Rather than remain dormant, this asset can be promoted through Request's skilled data management department. New revenues can be realized to add to any oil company's bottom line.





## SEISMIC DATA BROKERAGE

Request's veteran sales force sells licenses of existing seismic information to interested parties. These sales permit the purchaser to explore with the seismic information while ownership of the data remains with the vendor. Request maintains a massive digital database supported with sophisticated mapping software which details the location and ownership of all available seismic information. Comprehensive seismic coverage maps are provided to clients in their areas of interest from which seismic is selected for quality inspection purposes. This inspection is necessary prior to the purchase of a license due to the various methods of seismic acquisition and the age of the information. Newer data generally means newer technology resulting in more useful seismic information for the purchaser.

Upon selection of the seismic by the client, Request orders copies of the seismic data from the vendor, assembles all pertinent information to process the sale, and delivers same to the purchaser. This service permits the purchaser to remain confidential throughout the transaction and explore in areas in relative anonymity.



O N

TECHNOLOGY



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The focus of Request's senior management team is to improve and expand the three business units of the Company which include: participation surveys, data management, and data brokerage. We recognize that our strength comes from within. Acknowledging this, Request strives to build a team that will create the synergies required to push the company to a new level of service and creativity. While always searching for new, cost efficient ways of providing the products and services our customers demand, we continue to examine and embrace new technology.

Our goal is simple - to be the leading provider of seismic data services to the oil and gas industry.

Focusing on the future - we see a need for innovative marketing to remain competitive. We have identified new services to be offered in data management. We endeavor to expand our own seismic data library through creation of seismic data or through purchasing existing databases.

Our eleven months ended December 31, 1997 reflects the results of operations as a privately held corporation combined with the transition to that of a public entity upon the closing of the initial public offering on October 9, 1997.

The Corporation increased its asset base as at December 31, 1997 to \$11,902,000 from \$5,956,000 as at January 31, 1997. Liabilities increased to \$9,055,000 from \$5,703,000 with the Corporation still maintaining a debt free balance sheet. Of particular note is the increase in the inventory of the seismic data library of \$1,380,000, recognizing the long term value represented in the acquisition of the data.

Gross margins increased 52% to \$2,918,131 for the eleven months ended December 31, 1997.

Net revenues from proprietary surveys rose \$939,946 or a 91% increase. This contributed to 68% of the gross margin. This growth is directly due to the increase in Request's seismic data library through the creation of data and direct purchase of data. Our Cutbank (Alberta) and One Island Lake (British Columbia) surveys became available to the general public in the fall of 1997, thereby increasing our available inventory.

Data Management revenues increased 61% with the successful recruitment of several companies, increasing the number of data management clients to 42 oil and gas companies. We see great potential for growth in this facet of the business.

Brokerage continued to grow with a 32% increase in revenue. The methodology of brokering seismic data is changing at a rapid rate. Options such as the Kelman Archives DMASS system as well as Strataweb permit geophysicists and geologists greater access to data with the industry moving toward a paperless environment.

Salaries and contract services increased 91% over the prior year, with a number of these costs as a one time expense. Contract services were required in our transition from private to public and the overall growth of the company. The staff increased from thirteen to twenty-eight employees. Management feels that the current staffing levels will carry us forward to handle the increased volume of business that is anticipated with the acquisition of one of our competitors in January 1998.

General and administrative increased 87% due to increased office space, and costs associated with conducting business as a public entity. Request has worked at establishing the infrastructure needed to allow for the next level of growth.



On August 1, 1997, Request amalgamated with its shareholding companies. This resulted in a deemed year end for tax purposes. The stub period of five months from August 1, 1997 to December 31, 1997 reflects Request's operations as a public entity with the Corporation completing its initial public offering on October 9, 1997. The following table illus-

trates the results of the eleven months broken down into the five months post amalgamation, and the prior six months as a private corporation. The Corporation enjoyed the small business rate of corporate tax until August 1, 1997 with the high rate of tax in effect for the stub period August 1 to December 31, 1997.

	Five Months Aug 1 - Dec 31	Six Months Feb 1 - Jul 31	Eleven Months Ended Dec 31
Gross Revenues	\$ 11,108,078	\$ 11,365,695	\$ 22,473,773
Cost of Sales	9,243,279	10,312,363	19,555,642
Gross Margin	1,864,799	1,053,332	2,918,131
Salaries and contract services	452,339	404,670	857,009
General and Administrative	389,688	242,652	632,340
Amortization	32,721	10,041	42,762
Earnings before profit share and revenue interests	990,051	395,969	1,386,020
Profit share and revenue interests	0	368,963	368,963
Earnings before income taxes	990,051	27,006	1,017,057
Income taxes	459,092	10,896	469,988
NET EARNINGS	\$ 530,959	\$ 16,110	\$ 547,069
EBITA - weighted average - basic	\$ 0.16	\$ 0.01	\$ 0.19
EPS - weighted average - basic	\$ 0.09	\$ 0.00	\$ 0.10
CFPS - weighted average - basic	\$ 0.09	\$ 0.01	\$ 0.11

# FOCUS

## ON STRENGTHS

● Our corporate philosophy does not include the addition of seismic acquisition crews as a business unit. We have identified what we do best. In maintaining an operating environment

that is not capital intensive, we feel less vulnerable to the highs and lows that the industry may experience in a period of low commodity prices.



## AUDITORS' REPORT

To the Directors of  
Request Seismic Surveys Ltd.

We have audited the consolidated balance sheets of Request Seismic Surveys Ltd. as at December 31, 1997 and January 31, 1997 and the consolidated statements of earnings and retained earnings and changes in financial position for the period ended December 31, 1997 and year ended January 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and January 31, 1997 the results of its operations and the changes in its financial position for the period and year then ended in accordance with generally accepted accounting principles.

*Hudson & Company, Hedger Scott*

February 23, 1998

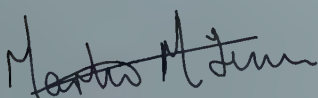


## CONSOLIDATED BALANCE SHEET

	December 31 1997	January 31 1997
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,647,807	\$ 703,908
Restricted cash (note 2)	245,826	206,535
Marketable securities	7,500	7,500
Accounts receivable	8,063,330	4,241,471
Work in progress	89,153	712,299
Prepaid expenses and deposits (note 3)	320,592	31,240
	10,374,208	5,902,953
SEISMIC DATA LIBRARY (note 4)	1,380,114	-
CAPITAL ASSETS (note 5)	148,564	53,259
	\$ 11,902,886	\$ 5,956,212
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable (note 6)	\$ 7,579,838	\$ 4,640,696
Bonuses payable	-	170,000
Deferred survey advances	1,037,113	779,403
Income taxes payable	438,921	6,968
	9,055,872	5,597,067
PAYABLE TO SHAREHOLDERS	-	106,011
	9,055,872	5,703,078
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (note 7)	2,046,911	100
RETAINED EARNINGS	800,103	253,034
	2,847,014	253,134
	\$ 11,902,886	\$ 5,956,212
Commitments (note 12)		
Subsequent events (note 13)		

See notes to consolidated financial statements

### APPROVED BY THE BOARD



Martin McGinnis  
Director



Todd Chuckry  
Director



# **CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**

	Eleven months ended December 31 1997	Year ended January 31 1997
<b>REVENUE</b>	<b>\$ 22,473,773</b>	<b>\$ 20,845,421</b>
<b>COST OF SALES</b>	<b>19,555,642</b>	<b>18,927,723</b>
<b>GROSS MARGIN</b> (see note 8)	<b>2,918,131</b>	<b>1,917,698</b>
<b>EXPENSES</b>		
Salaries and contract services	857,009	449,411
General and administration	632,340	338,250
Amortization	42,762	18,807
	<b>1,532,111</b>	<b>806,468</b>
Earnings before profit sharing, revenue interests and income taxes	<b>1,386,020</b>	<b>1,111,230</b>
Profit sharing and revenue interests (note 9)	<b>368,963</b>	<b>995,047</b>
Earnings before income taxes	<b>1,017,057</b>	<b>116,183</b>
Income taxes	<b>469,988</b>	<b>38,289</b>
<b>NET EARNINGS</b>	<b>547,069</b>	<b>77,894</b>
Retained earnings at beginning of period	<b>253,034</b>	<b>175,140</b>
<b>RETAINED EARNINGS AT END OF PERIOD</b>	<b>\$ 800,103</b>	<b>\$ 253,034</b>
Earnings per common share		
Basic	<b>\$ 0.10</b>	<b>\$ 0.01</b>
Fully diluted	<b>\$ 0.09</b>	<b>\$ 0.01</b>
Weighted average number of common shares outstanding	<b>5,571,557</b>	<b>5,000,000</b>

See notes to consolidated financial statements



## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Eleven months ended December 31 1997	Year ended January 31 1997
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATIONS</b>		
Net earnings	\$ 547,069	\$ 77,894
Items not involving cash:		
Amortization	42,762	18,807
	589,831	96,701
Change in non-cash operating working capital (note 10)	(29,258)	60,587
	560,573	157,288
<b>FINANCING ACTIVITIES</b>		
Issuance of share capital	2,300,000	-
Share issue costs	(253,189)	-
Increase (decrease) in payable to shareholders	(106,011)	98,418
	1,940,800	98,418
<b>INVESTING ACTIVITIES</b>		
Purchase of seismic data library	(1,380,114)	-
Purchase of capital assets	(138,069)	(39,905)
	(1,518,183)	(39,905)
<b>INCREASE IN CASH</b>	983,190	215,801
Cash at beginning of period	910,443	694,642
<b>CASH AT END OF PERIOD</b>	\$ 1,893,633	\$ 910,443
 Cash flow from operations per share		
Basic	\$ 0.11	\$ 0.03
Fully diluted	\$ 0.10	\$ 0.03
 Cash consists of cash and restricted cash (note 2)		

See notes to consolidated financial statements



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997 and January 31, 1997

The Corporation was incorporated under the Business Corporation Act (Alberta) on December 1, 1989 as 411766 Alberta Ltd. On January 16, 1990 the Company filed Articles of Amendment changing the name to Request Seismic Surveys Ltd. On August 1, 1997, the Corporation undertook an amalgamation and continued under the same name (see note 10).

The Consolidated financial statements include the accounts of the Corporation and the Corporation's proportionate share of the assets, liabilities, revenues and expenses relating to activities conducted jointly with another party. All significant intercompany accounts and transactions have been eliminated.

The marketable security is carried at cost. The market value is not readily available.

Work in progress represents the Corporations proportionate share of accumulated costs incurred on seismic data programs not yet completed.

The Corporation has established a data library through the purchase of existing data and through participation surveys. Costs of participation surveys are funded by joint venture partners and pre-sales to petroleum company participants. After the seismic shoot is processed and delivered to the initial participants, there is a six month exclusive period during which only these companies can have access to the data. Once the exclusive period ends, Request retains ownership of the data, net of any joint venture partners ownership interest, which allows Request to market licenses to sell the data to interested parties. Costs incurred in the acquisition of seismic data through direct purchase of existing data or creation of proprietary seismic data are capitalized. It is anticipated that the capitalized cost of the data will be amortized to cost of sales over a two to five year period. The provision for amortization is estimated on a project by project basis in proportion to how a project's revenue for a period relates to management's estimate of its ultimate revenues.

Capital assets are stated at cost. Amortization is provided on a declining balance basis at annual rates of 20% to 30% for furniture and equipment. Leasehold improvements are amortized over the term of the lease.

The Corporation has a 60% investment in an incorporated joint venture, Integrated Exploration Services Limited, which has a seismic data library that has resulted from group seismic shoots carried out in prior



years. The Corporation's proportionate share of the revenues, expenses, assets and liabilities of the joint venture are included in the Corporation's accounts (see note 1).

#### Income Recognition

Revenue from seismic data licensing agreements is recognized when each seismic data program is available for use by the licensees and is presented net of revenue share with other entities. Revenue received in advance of being earned is deferred until earned.

#### Revenue Sharing Agreement

The Corporation has entered into agreements whereby certain parties have received a net revenue share of proprietary surveys in exchange for services rendered with respect to the creation of the survey. A revenue share agreement between the Corporation and certain companies controlled by management was terminated on June 1, 1997. Net sales are defined as data sales after brokerage and commission.

#### Brokerage Sales and Purchases

Brokerage sales and purchases recognizes the full sale and purchase price of the data. The excess of brokerage sales over brokerage purchases represents the Corporation's brokerage and data management commissions on sales.

#### Income Tax

The tax allocation method of accounting is followed whereby the income tax provision is based on the earnings reported in the accounts. Under this method, full provision is made for deferred income taxes as a result of claiming deductions for income tax purposes in excess of amounts claimed for financial statement purposes.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

#### Financial Instruments

The financial assets and liabilities of the Company as at December 31, 1997 are comprised primarily of cash, accounts receivable and accounts payable. Due to the short-term nature of current assets and liabilities, the carrying amounts are considered to approximate fair value.

The Company is exposed to credit risk in relation to accounts receivable as at December 31, 1997. As the majority of the Company's customers are well financed and established oil and gas companies, management has determined credit risk to be minimal.

A summary of the Company's 60% proportionate share of its joint venture activities is represented as follows:

	December 31 1997	January 31 1997
Current assets	\$ 212,341	\$ 202,613
Current liabilities	208,414	196,427
Revenues	251,199	216,317
Expenses	253,459	217,591
Net loss	(2,260)	(1,274)

Under the terms of a data management agreement, the Company is required to maintain a separate bank account in trust for all seismic data sales relating to the agreement. The funds in this account, less the Company's commission, will be distributed to the proprietary owner of the data.

Prepaid expenses and deposits at December 31, 1997 includes a \$250,000 deposit on an Offer to Purchase the issued and outstanding shares of Prime Brokerage Consultants Ltd. (see note 13).

Participation surveys	\$ 1,275,114
Purchased data	105,000
	<u>\$ 1,380,114</u>

	December 31 1997			January 31 1997
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 75,141	\$ 22,139	\$ 53,002	\$ 23,375
Data processing equipment	119,257	49,874	69,383	29,884
Software	29,166	14,583	14,583	-
Leasehold improvements	13,127	1,531	11,596	-
	<u>\$ 236,691</u>	<u>\$ 88,127</u>	<u>\$ 148,564</u>	<u>\$ 53,259</u>



## ACCOUNTS PAYABLE

Included in accounts payable are the following amounts to companies which are affiliated through common shareholdings and/or control.

	December 31 1997	January 31 1997
Western Seismic Exchange (1996) Ltd.	\$ 41,191	\$ 662,430
Integrated Exploration Services Limited	55,296	2,903
413360 Alberta Ltd.	3,823	16,347
	\$ 100,310	\$ 681,680

At December 31, 1997 the Corporation owed \$119,381 to Dinard Resources Ltd. ("Dinard"), which is controlled by a director of the corporation. The amounts due to the affiliated companies and Dinard result from seismic data sales.

## Authorized

- Unlimited Voting Common Shares
- Unlimited First Preferred Shares
- Unlimited Second Preferred Shares

	Number of Shares	Consideration
Balance, January 31, 1997	5,000,000	\$ 100
Issued pursuant to a public offering net of issuance costs of \$253,189	2,300,000	2,046,811
Balance, December 31, 1997	7,300,000	\$ 2,046,911

On July 23, 1997 the Corporation amended its Articles to redesignate its Class "A" common shares as Common Shares, to adopt a class of first preferred shares and second preferred shares, each issuable in series and to affect a stock split of its Common Shares on a basis 50,000 Common Shares for every one previously issued and outstanding Common Share. Pursuant to an Escrow Agreement dated September 12, 1997, 4,291,167 of the founding common shares are held in escrow over a period of five years.

Pursuant to a public offering the Corporation issued 2,300,000 units at a price of \$1.00 per unit. Each unit consists of one Common Share of the Corporation and one-half of one Common Share purchase warrant. Each whole Common Share warrant entitles the holder to acquire an additional Common Share of the Corporation at a price of \$1.50 per Common Share expiring on October 9, 1998. At December 31, 1997 all these warrants were outstanding.

The Corporation, as part of an agency agreement dated September 12, 1997 issued options for 230,000 common shares at \$1.00 per share exercisable until October 9, 1998. At December 31, 1997 all these options were outstanding.

The Corporation issued options to purchase 730,000 common shares to key employees, senior management and directors at \$1.00 per share vesting over five years until September 15, 2002. At December 31, 1997 all these options were outstanding.

#### CONSOLIDATED GROSS MARGIN

	Eleven months ended December 31 1997	Year ended January 31 1997
REVENUE		
Brokerage sales	\$ 18,573,960	\$ 18,309,559
Data Management sales	1,798,021	1,471,672
Proprietary surveys, net of third party revenue interests (note 9)	2,076,372	1,054,350
Interest	25,420	9,840
	<u>22,473,773</u>	<u>20,845,421</u>
COST OF SALES		
Brokerage purchases (note 9)	16,843,621	16,998,948
Data management purchases	1,655,313	1,383,120
Proprietary survey costs	105,000	22,924
Drafting, CAD, and reproduction	62,941	93,924
Salaries and commissions	888,767	428,807
	<u>19,555,642</u>	<u>18,927,723</u>
GROSS MARGIN	\$ 2,918,131	\$ 1,917,698

#### MANAGEMENT COMPENSATION

The following amounts were paid to management and/or companies controlled by management:

	Eleven months ended December 31 1997	Year ended January 31 1997
Payments pursuant to revenue sharing agreements	\$ 223,963	\$ 825,047
Profit sharing	145,000	170,000
	<u>\$ 368,963</u>	<u>\$ 995,047</u>



Effective June 1, 1997, the revenue sharing agreement with companies controlled by management was terminated.

Pursuant to a revenue sharing agreement, \$293,698 (\$292,880 - January 31, 1997) was paid to a company controlled by a director of the Corporation. This amount is netted against revenue from proprietary surveys (see schedule).

Brokerage purchases includes \$1,308,266 (January 31, 1997 - \$676,374) paid to an affiliated company, Western Seismic Exchange (1996) Ltd., under the same terms and conditions as payment to arm's length parties.

#### Change in Non-Cash Operating Working Capital

The change in non-cash operating working capital relating to operations is comprised of the following:

	December 31 1997	January 31 1997
Increase in accounts receivable	\$ (3,821,859)	\$ (1,038,205)
(Increase) decrease in work in progress	623,146	(712,299)
Increase in prepaid expenses and deposits	(289,352)	(18,182)
Increase in accounts payable	2,939,143	910,991
Increase (decrease) in bonus payable	(170,000)	150,000
Increase in deferred survey advances	257,710	779,403
Increase (decrease) in income taxes payable	431,954	(11,121)
	\$ (29,258)	\$ 60,587

Effective August 1, 1997 the Corporation amalgamated with Pre-Seis Seismic Surveys Ltd. and Red Hand Resources Ltd. to form a new entity Request Seismic Surveys Ltd. The results of the amalgamation were neutral in that the new entity after amalgamation was identical to the pre-amalgamation entity.

#### Operating Leases

The Corporation is committed under various operating leases to future minimum lease payments as follows:

1998	\$ 175,978
1999	159,349
2000	124,179
2001	116,753
2002	47,755

#### Other

The Corporation has several data management contracts with petroleum companies to manage and market its seismic data. These contracts are for one or more years and renewed on a regular basis.

Subsequent to year end, the Corporation finalized an agreement to purchase all the issued and outstanding shares of Prime Brokerage Consultants Ltd. ("Prime") for \$2,700,000 cash. Prime's assets include 4,200 km of seismic data, equipment and a 25% shareholding in Discovery Exploration Surveys Ltd. The purchase was effective January 26, 1998.

Subsequent to year end, the Corporation entered into an agreement to purchase 636 km of seismic data in Saskatchewan for \$325,000. The closing date on the purchase is June 30, 1998.

Certain comparative figures have been reclassified to conform with the current year's basis of presentation.





### 13. SUBSEQUENT EVENTS

Subsequent to year end, the Corporation finalized an agreement to purchase all the issued and outstanding shares of Prime Brokerage Consultants Ltd. ("Prime") for \$2,700,000 cash. Prime's assets include 4,200 km of seismic data, equipment and a 25% shareholding in Discovery Exploration Surveys Ltd. The purchase was effective January 26, 1998.

Subsequent to year end, the Corporation entered into an agreement to purchase 336 km of seismic data in Saskatchewan for \$325,000. The closing date on the purchase is June 30, 1998.

### 14. FINANCIAL STATEMENT PRESENTATION

Certain comparative figures have been reclassified to conform with the current year's basis of presentation.



## CORPORATE INFORMATION

### OFFICERS

**Todd Chuckry**

President and C.E.O.

**Martin McGinnis, R.E.T.**

Vice President & C.O.O.

**Allison Hagen, CGA**

Secretary-Treasurer and C.F.O.

### BOARD OF DIRECTORS

**Jim Silye**

President

Tyme Holdings Inc.

Chairman of the Board

Request Seismic Surveys Ltd.

**Todd Chuckry**

President and C.E.O.

Request Seismic Surveys Ltd.

**Martin McGinnis**

Vice President and C.O.O.

Request Seismic Surveys Ltd.

**Rod Handfield**

President and Geologist

Dinard Resources Ltd.

**Paul Baay**

President and C.E.O.

Remington Energy Ltd.

**Jay P. Reid**

Partner

Burnet, Duckworth & Palmer

### HEAD OFFICE

1528, 840 - 7th Avenue SW

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Tel: 403 531-0250

Fax: 403 531-0255

Email: [request@cadvision.com](mailto:request@cadvision.com)

### TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

Calgary, Alberta

### SOLICITORS

Burnet, Duckworth & Palmer

Calgary, Alberta

### AUDITORS

Hudson & Company, Hodges Scott

Calgary, Alberta

### STOCK EXCHANGE LISTING

The Alberta Stock Exchange

Symbol - RSH

Warrant - RSH.wt

### ANNUAL MEETING

The annual general meeting for Request Seismic Surveys Ltd. will be at 3:00 P.M., Wednesday, April 29, 1998 in the Strand/Tivoli Room at the Metropolitan Centre, 333 - 4th Avenue S.W. Calgary, Alberta. Shareholders are encouraged to attend the meeting, but those who are unable to attend are asked to sign and return the enclosed proxy form.



Participation Surveys • Data Management • Data Brokerage

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